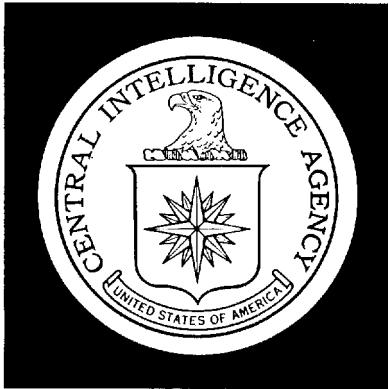


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Libya: The government and the US oil companies appear to be on a collision course in their negotiations on Libyan oil prices.

The Libyan negotiating committee has demanded a 79-cent increase in the posted price of \$2.23 per barrel of crude oil, of which 44 cents appears to the companies to be non-negotiable. The negotiating committee is now responsible directly to the Revolutionary Command Council instead of the Ministry of Petroleum, which began the negotiations in January. This adds teeth to the committee's demands, which may now be more political than technical in character.

Negotiations began in early May with two of the leading producers, Esso and Occidental, but by 10 May talks with Occidental were broken off by the government with a threat of unspecified unilateral action. The meetings with Esso are continuing, although Esso has not yet made any concession to the government's demands. At the same time, the government has taken a threatening line on other petroleum matters, with six companies warned to commence work within 30 days on inactive concessions.

The companies and the US Embassy in Tripoli are impressed by the tough Libyan stance, which may be a negotiating tactic. They fear, however, that it could be a prelude to some form of production control or even nationalization. They believe that unilateral actions perhaps against one company--such as Occidental with which Libya has a history of disputes--will precede any serious negotiations.

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NOTES

Laos: The evacuation of the dependents of military and civilian officials from Saravane has been completed, but the government's attempt to get an International Control Commission inspection team into the provincial capital is not making much headway.

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A control commission team composed of Canadian and Indian representatives visited Saravane during a similar Communist "threat" in April 1968 and was credited at that time with having helped deter a North Vietnamese attack.

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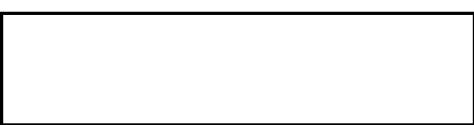
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